

balanced budget amendment. When a bastion of conservatism such as the Wall Street Journal refers to the balanced budget amendment as a "flake-out" and "silly," I think it is time for all Members to look up and take notice.

[From the Wall Street Journal, Feb. 4, 1997]

CONSTITUTIONAL BOONDOGGLE

With President Clinton about to deliver his State of the Union Address and new budget, this is an apt moment to say that the President is right and the Republicans are wrong on item one of the GOP Congressional agenda. The balanced budget amendment is a flake-out.

The notion of amending the Constitution to outlaw budget deficits is silly on any number of counts. Politically it's empty symbolism. Legally it clutters the Constitution with dubious prose. Today's lesson, though, concerns economics and accounting. You can't measure economic rectitude by any one number, let alone the "deficit," however defined, let alone the deficit projections the proposals will inevitably involve in practice. The attempt to enshrine such a number in the Constitution is bound to prove a snare and a delusion.

The proposal passed by the Senate Judiciary Committee says that outlays ("except for those for repayment of debt principal") shall not exceed receipts ("except those derived from borrowing"). While this concept sounds simple, in fact it reflects neither accounting principles nor economic reality.

If you can balance your family budget, the thinking goes, the government can balance the federal budget. But applying the budget amendment's principles to households would outlaw home mortgages, which have proved a boon to countless families and the general economy. What a family balances is its operating budget, a concept foreign to the federal accounts. In corporate accounting, similarly, the health of an enterprise is measured by careful distinctions such as accruals or depreciation. Even the balanced budget restraints of state and local governments exclude spending on capital improvements financed by bond issues approved by voters.

The reality is that borrowing money is not a sin; it depends on how much money, and in particular on the uses of the borrowed funds. Even the amendment itself recognizes this by allowing Congress to waive the amendment by majority vote when war is declared or when a joint resolution declares "a military conflict which causes an imminent and serious military threat to national security." Other emergencies would presumably be dealt through the provision that Congress could approve borrowing by a two-thirds vote.

Republicans back the amendment because it scores well with focus group participants, who don't understand the difficulties, and with Ross Perot, who doesn't care. They also hope that limiting the government's power to borrow will force it to limit spending. Democrats seems pretty much to agree, and want to voice support for the amendment to appease focus groups while also killing it to avoid a spending straitjacket. We're not so sure.

For one thing, we've observed how European politicians, even supposedly conservative ones, have been behaving toward the budget-deficit requirements they imposed on themselves in the Maastricht agreement. To get within the numerical criteria, the Italians are taking their railroads off and on budget; the French government, in return for an infusion of funds this year, assumed pension obligations running into the far future. Governmental accounting, you see, simply counts formal government debt; it ignores unfunded governmental promises.

This is a loophole enormous enough that Rep. Fernand St Germain could drive half of the S&L crisis through it in one night in 1980, when he doubled deposit-insurance limits. Another enormous loophole is the government's ability to offload, or "mandate," costs on corporations, individuals and state and local governments without running any receipts or outlays through the Washington books. And when the bill for Rep. St Germain's coup suddenly came due in 1989, would it really have been better to avoid borrowing and put the rest of the government through a temporary wringer?

These imperfections might not matter if the amendment did no harm, but it's easy enough to imagine scenarios in which it would keep us from doing the economically right thing. Take the proposals by the most conservative bloc in the recent Social Security Commission. They would allow current taxpayers to personally invest part of what they owe in payroll tax, giving them a better return. But meeting obligations to those retiring before their benefits were funded would require a big issue of government debt. The new debt would merely formally recognize current obligations, and the privatization would dramatically reduce future obligations. Though this transaction would plainly improve the federal fisc, the balanced budget amendment would outlaw it.

Or for that matter, take the Reagan defense build-up, which led to victory in the Cold War. The balanced budget amendment would have allowed a majority to vote for borrowing if fighting broke out, but not for expenditures to deter it. Is that what we want?

And take the Reagan tax cuts, which in combination with Paul Volcker's tight money, led the country out of 1970s malaise, conquering inflation without an extended recession. Clearly deficit projections would have prevented the tax changes.

Yes, this policy mix gave us deficit, but the 1980s deficits are themselves a large part of the reason we have a new concern with budget discipline today. Indeed, it seems to us that history argues that discipline comes from forcing governments to borrow, and pay interest—instead of raising taxes or making unfunded promises or issuing unfunded mandates. Yet in the form passed by the Finance Committee, the amendment says you need a majority to raise taxes, a majority to declare a military emergency, but two-thirds to borrow.

What President Reagan understood is that if you limit taxes, spending will sooner or later have to follow. For permanent budget discipline, the best idea now on the table is Rep. Joe Barton's proposal, up for a vote in the House April 15, simply to require a two-thirds vote to raises taxes. If that should pass, nature will take its course.

We do need to get the national debt declining as a per cent of economic output. We do need to restrain federal spending. We do need to solve the Medicare crisis, as Senator Phil Gramm notes alongside. We do need to look beyond the year 2002. But these battles have to be fought one by one, and can't be solved by amending the Constitution. The concept embodied in the proposed amendment measures nothing useful; it is at best a distraction, and at worst spreads confusion that will make the right things harder to do, not easier.

CELEBRATION OF BLACK HISTORY MONTH

HON. MARION BERRY

OF ARKANSAS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, February 25, 1997

Mr. BERRY. I rise today in honor of Black History Month. In the early 1990's a gentleman by the name of Dr. Carter G. Woodson helped to establish a time to recognize those men and women who have made significant contributions in America. It was his hope that this would stir the conscience of this Nation and encourage the celebration of our diversity which has always been a strength and not a weakness.

The reason why I come to the floor is to tell you of the importance of African-American history and the unique role of the black struggle in this country. From generation to generation, we have countless individuals who have risen above prejudice and injustice to make a change in our country.

To produce a group of outstanding leaders such as Harriet Tubman, Thurgood Marshall, Barbara Jordan, and Martin Luther King, Jr., during a time when the odds were so overwhelmingly against them, shows the true determination of a people that succeeded against all odds to reach a dream. I speak today, because a younger generation must be told of this rich cultural heritage.

There are two men who have roots in my congressional district who come to mind as I give tribute. These gentlemen, one who blazed a trail, and another whom I believe represents the future, are both role models in this tradition.

The late Elder Famous Smith of West Memphis was a good friend who pastored the 15th Street Church of God in Christ for over 40 years. He held the position of district superintendent of his religious denomination as well as being appointed to the Mid-South Community College board of trustees by then Gov. Bill Clinton. This strong community activist labored tirelessly before his death to help everyone, especially the younger generation which he considered the "apple of his eye."

Another man I am compelled to tell you about is our incoming Secretary of Transportation, Mr. Rodney Slater. He lifted himself from the poverty stricken area of the delta to become the first African-American Cabinet member from the State of Arkansas. Because of his far-reaching contributions in the field of public service he is positioned to become a fixture in American history.

The challenge that I leave you with today is two-fold. We must commit ourselves to the learning of this great heritage and instill in our younger generation a sense of pride and hope for the future. Knowledge truly is power and we must use it for the benefit of all Americans.

TRIBUTE TO LISA FALCONE

HON. EDOLPHUS TOWNS

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, February 25, 1997

Mr. TOWNS. Mr. Speaker, I rise today to acknowledge Lisa Falcone, a native of Brooklyn, N.Y. who has been dedicated to public service.